

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 407 - SB 476

February 25, 2015

SUMMARY OF BILL: Establishes a pilot project in Bradley County for improving the collection of delinquent personal property taxes. Requires the Department of Revenue to notify the county trustee when businesses apply to the Department for renewal of their business licenses. Authorizes the county trustee to, within seven business days, submit to the Department a list containing the names and addresses of taxpayers who owe delinquent personal property taxes. Prohibits the Department from renewing a taxpayer's license if the taxpayer owes delinquent personal property taxes, until such taxes are paid in full. Requires the taxpayer to, upon payment of the delinquency, submit a receipt or other documentation to the Department evidencing the payment.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$400/Recurring

Increase State Expenditures – \$240,000/One-Time

Increase Local Revenue – Net Impact – Exceeds \$50,000/Recurring

Assumptions:

- The Office of the Comptroller reports that Bradley County's average annual delinquency for business personal property taxes is approximately \$100,000.
- Based on information provided by Bradley County officials and the Office of the Comptroller, it is estimated that at least fifty percent of the average annual delinquency, or \$50,000, will be collected by the county as a result of this bill, since debtors will not be able to renew their business licenses without paying the delinquent taxes in full.
- Bradley County has approximately 3,200 registered business accounts. The median business tax paid on business tax returns filed by these taxpayers is approximately \$61 per year.
- One half of one percent, or 16 Bradley County registered businesses, owe delinquent personal property taxes and will not be able to renew their business tax license under the provisions of this bill. The resulting decrease in business tax revenue is estimated to be \$976 (\$61 x 16).
- The state receives 40.25 percent of total business tax collections; the remaining 59.75 percent is apportioned to the local government.
- The recurring decrease in state revenue is estimated to be \$393 (\$976 x 40.25%). The recurring net increase in local revenue is estimated to exceed \$50,000.

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- The Department of Revenue (DOR) reports that, to accomplish the requirements of the proposed legislation, the Department's Information Technology Resources (ITR) Division will be required to make numerous changes to the existing programs and processes. The Department estimates that it will require additional resources equivalent to five full time staff positions (analysts and programmers) for at least seven months to accomplish all the necessary changes.
- Based on the information provided by DOR, the one-time increase in expenditures for the ITR Division for utilizing temporary staff to effectuate the purpose of the bill is estimated to be \$240,000.
- Any increase in expenditures for the Bradley County trustee to accomplish the requirements of this bill will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding", written in a cursive style.

Jeffrey L. Spalding, Executive Director

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